

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 		Printed Name		License Number

**Local Development Financing Authority
of the Charter Township of Van Buren
Wayne County, Michigan**

**Financial Report
December 31, 2006**

Local Development Financing Authority of the Charter Township of Van Buren

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Independent Auditor's Report

To the Board of Directors
Local Development Financing Authority of the
Charter Township of Van Buren
Wayne County, Michigan

We have audited the accompanying basic financial statements of the Local Development Financing Authority of the Charter Township of Van Buren (a component unit of the Charter Township of Van Buren) as of December 31, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Local Development Financing Authority of the Charter Township of Van Buren's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Local Development Financing Authority of the Charter Township of Van Buren as of December 31, 2006 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

May 9, 2007

Local Development Financing Authority of the Charter Township of Van Buren

Governmental Fund Balance Sheet/Statement of Net Deficit December 31, 2006

	Governmental Fund	Adjustments (Note 2)	Statement of Net Deficit
Assets			
Cash and equivalents (Note 3)	\$ 12,079	\$ -	\$ 12,079
Due from primary government	1,245,942	-	1,245,942
Restricted assets (Note 6)	1,274,226	-	1,274,226
Unamortized net bond issuance costs	-	178,693	178,693
Total assets	<u>\$ 2,532,247</u>	178,693	2,710,940
Liabilities			
Accrued and other liabilities	\$ -	2,039,277	2,039,277
Deferred revenue (Note 4)	1,245,942	-	1,245,942
Noncurrent liabilities - Due in more than one year (Note 5)	-	25,199,066	25,199,066
Total liabilities	1,245,942	<u>27,238,343</u>	<u>28,484,285</u>
Fund Balance/Net Deficit			
Reserved/Restricted for debt service reserve	986,643	-	986,643
Reserve for construction	287,583	(287,583)	-
Unreserved/Unrestricted	12,079	(26,772,067)	(26,759,988)
Total fund balance/net deficit	<u>1,286,305</u>	<u>\$ (27,059,650)</u>	<u>\$ (25,773,345)</u>
Total liabilities and fund balance	<u>\$ 2,532,247</u>		

Local Development Financing Authority of the Charter Township of Van Buren

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2006

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
Revenue			
Property taxes	\$ 1,598,827	\$ -	\$ 1,598,827
Interest income	<u>98,149</u>	<u>-</u>	<u>98,149</u>
Total revenue	1,696,976	-	1,696,976
Expenditures			
Professional services	6,580	-	6,580
Capital outlay and other	49,472	-	49,472
Amortization	-	32,054	32,054
Debt service:			
Principal	645,000	(645,000)	-
Interest	<u>932,692</u>	<u>401,244</u>	<u>1,333,936</u>
Total expenditures	<u>1,633,744</u>	<u>(211,702)</u>	<u>1,422,042</u>
Excess of Revenue Over Expenditures	63,232	211,702	274,934
Other Financing Sources (Uses)			
Proceeds from issuance of debt	19,200,000	(19,200,000)	-
Payment to escrow agent	<u>(20,535,198)</u>	<u>20,535,198</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,335,198)</u>	<u>1,335,198</u>	<u>-</u>
Net Change in Fund Balance/Net Deficit	(1,271,966)	1,546,900	274,934
Fund Balance/Net Deficit - Beginning of year	<u>2,558,271</u>	<u>(28,606,550)</u>	<u>(26,048,279)</u>
Fund Balance/Net Deficit - End of year	<u><u>\$ 1,286,305</u></u>	<u><u>\$ (27,059,650)</u></u>	<u><u>\$ (25,773,345)</u></u>

Local Development Financing Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2006**

Note I - Significant Accounting Policies

The Local Development Financing Authority of the Charter Township of Van Buren (the "Authority") is organized pursuant to State of Michigan Public Act No. 281 of 1986. The primary purpose is to encourage local development to prevent conditions of unemployment and promote economic growth. This purpose is accomplished by the Authority collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the Authority's district boundaries.

The Authority is a component unit of the Charter Township of Van Buren (the "Township") and is included in the basic financial statements of the Township at December 31, 2006.

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net deficit and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. For the purpose of the government-wide financial statements, the Authority reports a liability for the outstanding 2003 and 2006 Local Development Finance Authority Bonds, which will be repaid through captured property taxes in future periods.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Local Development Financing Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2006**

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balance of the Authority's General Fund differ from the statement of net deficit and statement of activities. This difference results primarily from the long-term economic focus of the statement of net deficit and statement of activities versus the current focus of the General Fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balance.

The statement of net deficit includes the recognition of long-term debt along with the accrued interest expense. The statement of activities includes the reclassification the debt principal payments from expense to offsetting the liability and accrual of the interest expense.

Note 3 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Authority has elected to comply with the Township's investment policy. The investment policy adopted by the Township board in accordance with Public Act 196 of 1997 has authorized investment in all of the state statutory authority listed above. The Authority has designated one bank for the deposit of its funds.

Local Development Financing Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2006

Note 3 - Cash and Cash Equivalents (Continued)

The Authority's cash and investments are subject to the following type of risk:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$1,186,305 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Deferred Revenue

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. As of December 31, 2006, the Authority received \$1,245,942 of property taxes levied for 2007, which will be recognized during the year ending December 31, 2007.

Note 5 - Long-term Debt

The Authority issues bonds to provide for the acquisition and construction of major capital facilities.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Local Development Financing Authority:							
2003 Capital Appreciation Bond:							
Amount of issue - \$28,199,656	5.27% -	\$510,859 -					
Maturing through 2032	5.38%	\$766,818	\$ 27,154,656	\$ -	\$ (20,565,000)	\$ 6,589,656	\$ -
2006 Refunding Bond:							
Amount of issue - \$19,200,000	4.00% -	\$115,000-					
Maturing through 2031	5.00%	\$1,370,000	-	19,200,000	-	19,200,000	-
Deferred amount on refunding			-	(615,198)	24,608	(590,590)	-
Total			<u>\$ 27,154,656</u>	<u>\$ 18,584,802</u>	<u>\$ (20,540,392)</u>	<u>\$ 25,199,066</u>	<u>\$ -</u>

Local Development Financing Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2006

Note 5 - Long-term Debt (Continued)

The annual requirements to service the outstanding debt are as follows:

Years Ending December 31	Principal	Interest	Total
2007	\$ -	\$ 894,903	\$ 894,903
2008	200,000	890,403	1,090,403
2009	500,000	873,403	1,373,403
2010	500,000	850,903	1,350,903
2011	115,000	838,603	953,603
2012-2016	2,385,000	4,070,939	6,455,939
2017-2021	9,040,000	2,689,167	11,729,167
2022-2026	6,432,974	5,794,827	12,227,801
2027-2031	5,950,379	10,648,996	16,599,375
2032	666,303	2,383,697	3,050,000
Total	<u>\$ 25,789,656</u>	<u>\$ 29,935,841</u>	<u>\$ 55,725,497</u>

Advance and Current Refundings - During the year, the Authority issued \$19,200,000 in tax incremental revenue refunding bonds with an average interest rate of 4.64 percent. The proceeds of these bonds were used to advance refund \$19,920,000 of outstanding 2003 tax increment revenue bonds with an average interest rate of 5.02 percent. The net proceeds of \$19,013,860 (after payment of \$350,477 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,521,338 of debt service reserve monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the government-wide statement of net assets. The advance refunding increased total debt service payments over the next 25 years by approximately \$2,150,000, but resulted in an economic gain of approximately \$126,000.

Local Development Financing Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2006**

Note 6 - Restricted Assets

Restricted assets as of December 31, 2006 consist of cash and cash equivalents totaling \$1,274,226. These assets are restricted for the purpose of the 2003 Capital Appreciation and 2006 Refunding bonds. A total of \$986,643 is for debt service reserves and \$287,583 is unspent bond proceeds to be used for construction. Fund balance/net assets have also been reserved/restricted for \$986,643.

Note 7 - Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority is covered by insurance purchased by the Township for all claims.